FIFTY-NINTH ANNUAL REPORT

OF THE

MISSISSIPPI CENTRAL RAILROAD COMPANY

FOR THE

YEAR ENDED DECEMBER 31, 1966

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MISSISSIPPI CENTRAL RAILROAD COMPANY

FOR THE

YEAR ENDED DECEMBER 31, 1966

DIRECTORS

M. Claire Barrett ..... Scranton, Pa.
Max N. Carol ..... Philadelphia, Pa.
Edward J. Caughlin ..... Merion, Pa.
Frank E. Hemelright ..... Scranton, Pa.
H. Ober Hess ..... Gladwyne, Pa.
Howard J. Lynch, Jr. ..... Philadelphia, Pa.
Gerald B. Payne ..... Clarks Green, Pa.
Cyrus J. Quinn ..... New York, N.Y.
Wm. J. Rankin ..... North Hills, Pa.
Edward W. Warren ..... Scranton, Pa.
Albert B. Zink ..... Malvern, Pa.

OFFICERS

Edward W. Warren, President ..... Scranton, Pa.
Frank E. Hemelright, Vice-President ..... Scranton, Pa.
M. Claire Barrett, Secretary and Treasurer ..... Scranton, Pa.
S. J. Massey, Jr., Vice-President and General Manager ..... Hattiesburg, Miss.
W. T. Cosby, Assistant General Manager and Auditor ..... Hattiesburg, Miss.
Riley E. Davis, Traffic Manager ..... Hattiesburg, Miss.
J. S. Montgomery, Assistant Traffic Manager ..... Hattiesburg, Miss.
R. W. Fox, Purchasing Agent ..... Hattiesburg, Miss.

TRANSFER OFFICE

Northeastern National Bank Building ..... Scranton, Pa.

REGISTRAR

Northeastern Pennsylvania National Bank & Trust Company ..... Scranton, Pa.

ANNUAL MEETING

Second Tuesday in February, Hattiesburg, Miss.

MAR 31 1967 Co

Hattiesburg, Mississippi
March 1, 1967

To The Stockholders of the Mississippi Central Railroad Company

The following report is submitted for the year 1966.

Freight revenues increased $99,915 or 5.70% and carloads handled increased 1,217 or 5.43% over 1965. National carloadings increased 1.27%.

Operating expenses increased $240,647 or 15.4%. In addition to increased labor costs, our Maintenance of Way costs increased $177,000 the majority of which was caused by putting in 19,580 cross ties in a period of two months in the general area of the St. Regis Paper Mill at Ferguson, and in stepped up maintenance on the remainder of the railroad.

There were three derailments during the year, gross cost of which was approximately $100,000, less an undetermined amount to be recovered by our insurance coverage.

Taxes increased $9,372 due to increase in pension and unemployment taxes.

Hire of freight cars increased $37,672. The principal cause for the increase was an increase in outbound business from International Paper Company and Johns-Manville Products Corporation.

Net income after fixed charges was a deficit of $197,000 in 1966 compared with a deficit of $3,645 in 1965, an increase of $193,435. First mortgage bonds of $6,000 par value were acquired and cancelled through the Sinking Fund. The lease-purchase contract on the Jackson tamper was reduced $4,823. Note given to the First National Bank to cover cost of warehouse built at Hattiesburg during 1965 was paid during 1966 with payment of $79,082. We entered into equipment obligation of $494,775 to cover part of cost of 50 new wood rack cars received during 1966.

The principal changes in our property account were purchase of 50 new wood rack cars, purchase of Volkswagen station wagon for use as a depot at Ferguson, purchase of new Plymouth station wagon equipped with high-rail kit, purchase of a second-hand truck and construction of 4,468 feet of additional tracks to serve St. Regis Paper Mill at Ferguson.

There were 1,976 feet of side track retired, 11 parcels of land sold with proceeds of $3,699 deposited into the Sinking Fund, 59 wood rack cars, one tank car, one box car, two caboose cars and one truck retired. Commercial warehouse Nos. 3 and 6 at Hattiesburg and the depot at Meadville were destroyed by fire. These buildings were covered by insurance but will not be replaced.

Work continues on construction of St. Regis Paper Mill at Ferguson. It is anticipated the first phase of this plant will be in operation the latter part of this year and final phase will be in operation in late 1968 or early 1969.

During 1966 we received net revenue of $67,985 from St. Regis on inbound construction material, which should continue for some time. Our expenditures on tracks at this point during 1966 amounted to $55,853.

Hearing on the proposed acquisition of the Mississippi Central by the Illinois Central was held at Natchez, Mississippi on August 3, 1966 by Examiner Oren G. Barber. Report on this hearing was made February 16, 1967 which was favorable. All concerned have 30 days from date of the report in which to file exceptions. Nothing can be done, however, until the Order has been made effective by the Commission.

There were 179 stockholders when the stock book was closed on January 13, 1967, prior to the Annual Meeting. Average number of employees during 1966 was 168.

Respectfully submitted.

S. J. Massey, Jr.
Vice President and General Manager

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TABLE A

MISSISSIPPI CENTRAL RAILROAD COMPANY

STATEMENT OF INCOME

For the Years Ended December 31, 1966 and 1965

	1966	1965	Increase (Decrease)
Railway Operating Income:			
Railway operating revenues	$1,954,099	$1,841,746	$ 112,353
Railway operating expenses	1,801,176	1,560,529	240,647
Net revenue from railway operations	152,923	281,217	(128,294)
Railway tax accruals	156,952	147,580	9,372
Railway operating income (loss)	(4,029)	133,637	(137,666)
Rent Income:			
Rent from locomotives	8,252	11,118	(2,866)
Rents Payable:			
Hire of freight cars	160,959	123,287	37,672
Rent for locomotives	168		168
Rent for work equipment	322		322
Joint facility rents	35,597	25,585	10,012
Total rents payable	197,046	148,872	48,174
Net rents payable	188,794	137,754	51,040
Net Railway Operating Loss	192,823	4,117	188,706
Other Income:			
Miscellaneous rent income	7,781	7,516	265
Income from nonoperating property	11,503	6,612	4,891
Interest income	12,329	9,763	2,566
Miscellaneous income	5,881	4,400	1,481
Total other income	37,494	28,291	9,203
Total Income (Loss)	(155,329)	24,174	(179,503)
Miscellaneous Deductions from Income:			
Miscellaneous rents	139	107	32
Miscellaneous tax accruals	2,386	235	2,151
Miscellaneous income charges	2,281	1,121	1,160
Total miscellaneous deductions from income	4,806	1,463	3,343
Income (Loss) before Fixed Charges	(160,135)	22,711	(182,846)
Fixed Charges:			
Interest on funded debt	29,570	26,355	3,215
Amortization of expenses on funded debt	3,509		3,509
Total fixed charges	33,079	26,355	6,724
Net Loss	$ 193,214	$ 3,644	$ 189,570

The accompanying Notes to Financial Statements are an integral part of this statement.

TABLE B

MISSISSIPPI CENTRAL RAILROAD COMPANY

Balance Sheet, December 31, 1966 and 1965

ASSETS	1966	1965	Increase (Decrease)
Current Assets:			
Cash	$ 238,004	$ 299,870	$ (61,866)
Temporary cash investments—United States Government obligations—at amortized cost which approximates market value	196,098	270,664	(74,566)
Net balance receivable from agents	58,420	74,362	(15,942)
Miscellaneous accounts receivable	29,071	15,423	13,648
Accrued accounts receivable	55,965		55,965
Working fund advances	1,657	1,657	
Prepayments	9,438	12,585	(3,147)
Material & supplies—at average cost	143,794	183,504	(39,710)
Other current assets	445	286	159
Total current assets	732,892	858,351	(125,459)
Special Fund—Sinking fund	1,428	2,220	(792)
Properties:			
Road property	5,733,663	5,684,099	49,564
Equipment property	2,181,833	1,708,880	472,953
Total transportation property	7,915,496	7,392,979	522,517
Less Accrued depreciation:			
Road property	506,648	470,615	36,033
Equipment property	854,845	792,704	62,141
Total accrued depreciation	1,361,493	1,263,319	98,174
Total transportation property, less accrued depreciation	6,554,003	6,129,660	424,343
Miscellaneous physical property	114,775	116,026	(1,251)
Less Accrued depreciation—miscellaneous physical property	2,827	1,124	1,703
Total miscellaneous physical property, less accrued depreciation	111,948	114,902	(2,954)
Total properties, less accrued depreciation	6,665,951	6,244,562	421,389
Other Assets and Deferred Charges:			
Other assets	2,925	3,229	(304)
Deferred charges	93,619	378	93,241
Total other assets and deferred charges	96,544	3,607	92,937
Total	$7,496,815	$7,108,740	$ 388,075

The accompanying Notes to Financial Statements are an integral part of this statement.

TABLE B (Continued)

MISSISSIPPI CENTRAL RAILROAD COMPANY

Balance Sheet, December 31, 1966 and 1965

LIABILITIES AND SHAREHOLDERS' EQUITY	1966	1965	Increase (Decrease)
Current Liabilities:			
Traffic and car-service baances	$ 128,056	$ 123,454	$ 4,602
Audited accounts and wages payable	132,101	122,560	9,541
Miscellaneous accounts payable	984	394	590
Unmatured interest accrued	10,298	5,410	4,888
Accrued accounts payable	268,559	96,173	172,386
Other taxes accrued	Dr. 4,053	Dr. 3,791	(262)
Other current liabilities	43,057	50,236	(7,179)
Total current liabilities	579,002	394,436	184,566
Long-term Debt Due Within One Year:			
Funded Debt:			
First Mortgage 4% Bonds	2,000	3,000	(1,000)
First Mortgage Note To Bank		7,015	(7,015)
Equipment obligations	37,809	4,487	33,322
Total long-term debt due within one year	39,809	14,502	25,307
Long-term Debt Due After One Year:			
Funded Debt:			
First Mortgage 4% Bonds	533,000	538,000	(5,000)
First Mortgage Note To Bank		79,082	(79,082)
Equipment obligations	469,200	12,233	456,967
Total long-term debt due after one year	1,002,200	629,315	372,885
Other Liabilities and Deferred Credits:			
Other liabilities	3,603	4,932	(1,329)
Deferred credits	1,655	1,795	(140)
Total other liabilities and deferred credits	5,258	6,727	(1,469)
Shareholders' Equity:			
Capital stock:			
Common—authorized and outstanding, 39,400 shares of a par value of $100 each	3,940,000	3,940,000	
First preferred, non-cumulative 5½% of a par value of $10 each—authorized, 111,210 shares; outstanding, 109,742 shares	1,097,420	1,097,420	
Total capital stock	5,037,420	5,037,420	
Retained income—including $1,496 and $2,352 appropriated for sinking fund reserves in 1966 and 1965 respectively	833,126	1,026,340	(193,214)
Total shareholders' equity	5,870,546	6,063,760	(193,214)
Total	$7,496,815	$7,108,740	$ 388,075

The accompanying Notes to Financial Statements are an integral part of this statement.

TABLE C

MISSISSIPPI CENTRAL RAILROAD COMPANY

Statement of Retained Income

For the Years Ended December 31, 1966 and 1965

	1966	1965	Increase (Decrease)
Credit Balance at Beginning of Year	$1,026,340	$ 992,409	$ 33,931
Credit—Net profit from sale of property		31,010	(31,010)
Total	1,026,340	1,023,419	2,921
Debits:			
Debit balance transferred from income	193,214	3,644	189,570
Excess of book value of property accounts over I.C.C. valuation		Cr. 6,565	6,565
Net debits	193,214	Cr. 2,921	(196,135)
Credit Balance At End Of Year	$ 833,126	$1,026,340	$ 193,214

The accompanying Notes to Financial Statements are an integral part of this statement.

HASKINS & SELLS
Certified Public Accountants

906 Hibernia Bank Building
New Orleans, La. 70112

ACCOUNTANTS' OPINION

Mississippi Central Railroad Company:

We have examined the balance sheet of Mississippi Central Railroad Company as of December 31, 1966 and the related statements of income and of retained income for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The financial statements described above have been prepared on a going-concern basis and do not reflect any loss which would result from the proposed sale of the assets of the Company, as described in Note 1 to the financial statements.

As explained in Note 3 to the financial statements, no provision has been made for material lawsuits filed against the Company, as the amounts, if any, which the Company may ultimately have to pay are not now determinable.

In our opinion, except for and subject to the effect of the matters mentioned in the two preceding paragraphs, the accompanying financial statements present fairly, on a going-concern basis, the financial position of the Company at December 31, 1966 and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceeding year.

HASKINS & SELLS

February 17, 1967

MISSISSIPPI CENTRAL RAILROAD COMPANY

Notes to Financial Statements

1. On July 26, 1965, the Company entered into an agreement of sale with Illinois Central Railroad Company, whereby the latter agreed to acquire for $2,000,000.00 all of the Company's net assets, excluding its First Mortgage 4% 30 year Bonds and any liabilities to stockholders of the Company. This agreement was approved by the stockholders on February 8, 1966, but cannot be consummated until it has been approved by the Interstate Commerce Commission, and by any other regulatory body having jurisdiction.

2. The current cost of repairs and renewals of parts of the track structure is charged to maintenance expense, and additions and betterments to the structures are capitalized. Provision for depreciation has been made as to other classes of transportation property. Charges in 1966 for depreciation of road and equipment property and for repairs and renewals of the track structure amounted to $103,474 and $422,506 respectively; comparable charges for 1965 were $102,812 and $269,358 respectively.

3. The Company does not carry public liability insurance for personal injuries and certain types of property damage. As of December 31, 1966 material suits have been filed against the Company as a result of injuries to one employee and the death of another employee. No provision for such suits has been made in the Company's financial statements of December 31, 1966 as the amount of the Company's liability, if any, is not determinable at this date.

TABLE D

Comparative Statement of Operating Expenses for Years Ended December 31, 1966 and 1965

	1966	1965
Maintenance of Way and Structures		
Superintendence	$ 42,581	$ 36,663
Roadway Maintenance	35,532	37,845
Bridges, Trestles and Culverts	57,979	37,755
Ties	148,146	73,998
Rails	4,955	2,470
Other Track Material	29,016	17,826
Ballast	32,121	5,249
Track Laying and Surfacing	208,268	169,815
Fences and Signs	899	1,515
Station and Office Buildings	2,687	8,464
Roadway Buildings	405	863
Fuel Stations	259	229
Shops and Enginehouses	2,611	5,436
Communication Systems	1,205	2,290
Signals and Interlockers	1,536	1,161
Road Property-Depreciation	33,204	32,782
Retirements-Road	(1,646)	1,996
Roadway Machines	17,572	12,573
Dismantling Retired Road Property	84	1,619
Small Tools and Supplies	5,718	4,228
Public Improvements-Maintenance	4,932	3,067
Injuries to Persons	5,861	1,129
Insurance	2,441	2,712
Stationery and Printing	448	430
Employees H&W Benefits	16,592	13,625
Maint'g Joint Tracks, Yds. & Other Facilities-Dr.	13,758	13,816
Total	$ 667,164	$ 489,556
Maintenance of Equipment		
Superintendence	$ 12,388	$ 12,137
Shop Machinery	1,420	2,998
Power Plant Machinery	1,036	65
Shop and Power Plant Machinery-Depreciation	2,669	2,669
Other Locomotives-Repairs	55,045	57,447
Freight Train Cars-Repairs	115,425	77,432
Work Equipment-Repairs	482	1,407
Miscellaneous Equipment-Repairs	4,898	3,442
Equipment-Depreciation	67,602	67,362
Injuries to Persons	516	1,380
Insurance	23,830	6,519
Stationery and Printing	497	540
Employees H&W Benefits	5,036	4,545
Joint Maintenance of Equipment Expenses-Dr.	5,980	2,805
Total	$ 296,874	$ 240,748
Traffic		
Superintendence	$ 59,667	$ 60,895
Outside Agencies	85,368	89,674
Advertising	605	870
Traffic Associations	2,509	2,752
Insurance	188	230
Stationery and Printing	10,384	10,000
Employees H&W Benefits	1,782	399
Total	$ 160,503	$ 164,820

TABLE D (Continued)

	1966	1965
Transportation		
Superintendence	$ 31,418	$ 29,010
Dispatching Trains	11,823	9,235
Station Employees	69,188	66,896
Weighing and Inspection Bureaus	877	773
Station Supplies and Expenses	5,958	4,751
Yard Masters and Yard Clerks	14,374	11,534
Yard Conductors and Brakemen	51,846	51,206
Yard Enginemen	28,014	31,347
Yard Switching Fuel	3,590	3,569
Lubricants for Yard Locomotives	276	254
Other Supplies for Yard Locomotives	130	133
Enginehouse Expenses-Yard	2,317	2,342
Yard Supplies and Expenses	747	956
Operating Joint Yards and Terminals-Dr.	25,689	35,014
Train Enginemen	68,784	71,941
Train Fuel	50,443	46,508
Lubricants for Train Locomotives	4,773	4,628
Other Supplies for Train Locomotives	1,238	1,026
Enginehouse Expenses-Train	8,254	8,269
Trainmen	104,259	99,886
Train Supplies and Expenses	11,856	10,742
Crossing Protection	344	322
Employees H&W Benefits	15,083	12,390
Stationery and Printing	3,962	2,637
Other Expenses	89	98
Operating Joint Tracks and Facilities-Dr.	15,238	29,196
Insurance	4,426	4,773
Clearing Wrecks	14,891	1,607
Damage to Property	1,539	157
Damage to Livestock on Right-of-Way	2,028	1,603
Loss and Damage-Freight	13,950	6,946
Injuries to Persons	5,404	3,065
Total	$ 572,808	$ 552,814
General		
Salaries and Expenses of General Officers	$ 9,921	$ 10,111
Salaries and Expenses of Clerks and Attendants	56,918	55,650
General Office Supplies and Expenses	7,420	6,119
Law Expenses	11,648	7,672
Insurance	47	143
Employees H&W Benefits	3,045	723
Pensions and Gratuities	1,849	1,856
Stationery and Printing	3,518	3,337
Other Expenses	9,484	26,700
General Joint Facilities-Dr.	(23)	280
Total	$ 103,827	$ 112,591
Recapitulation		
Maintenance of Way and Structures	$ 667,163	$ 489,556
Maintenance of Equipment	296,874	240,748
Traffic	160,503	164,820
Transportation	572,808	552,814
General	103,827	112,591
Total	$1,801,176	$1,560,529

TABLE E

Traffic and Mileage Statistics

Years Ended December 31, 1966 and 1965

	1966	1965
Freight Traffic		
Miles of road operated - average	148.38	148.38
Freight revenue	$ 1,853,636	$ 1,753,721
Revenue tons carried	1,041,642	972,380
Revenue ton-miles	101,935,001	97,566,206
Freight train-miles, ordinary	125,922	124,222
Freight car-miles, loads	2,346,259	2,316,771
Freight car-miles, empties	1,231,642	1,205,481
Revenue per ton	$ 1.78	$ 1.80
Revenue per ton-miles, cents	1.82	1.80
Revenue per train-mile	$ 14.72	$ 14.12
Freight revenue per mile of road operated	$ 12,492	$ 11,819
Average haul per revenue ton (miles)	97.86	100.34
Ton-miles (non-revenue included) per train-mile	812	788
Ton-miles (non-revenue incl.) per loaded car-mi.	43.60	42.23
Revenue ton-miles per mile of road operated	686,986	657,543
Loaded car miles per train-mile	18.63	18.65
Empty car-miles per train-mile	9.78	9.70
Total car-miles per train-mile	28.41	28.35
Operating revenues per mile of road operated	$ 13,170	$ 12,412
Operating expenses per mile of road operated	12,139	10,517
Net operating revenue per mile of road operated	1,031	1,895

TABLE F

Statement of Classified Tonnage

Year 1966

Description	Tons	Per Cent of Total
Farm products	14,371	1.38
Forest products	345	.03
Fresh fish and other marine products	1,319	.13
Metallic ores	1,043	.10
Coal	629	.06
Chemical and fertilizer materials	43,973	4.22
Miscellaneous nonmetallic minerals, except fuels	31,624	3.04
Other nonmetallic minerals, except fuels	61,902	5.94
Ordnance and accessories	2,527	.24
Food and kindred products	38,245	3.67
Tobacco products	279	.03
Basic textiles	1,091	.10
Pulpwood, piling, posts, logs, bolts, etc.	95,262	9.15
Lumber and dimension stock	61,105	5.87
Other lumber and wood products, except furniture	7,486	.72
Furniture and fixtures	246	.02
Pulp and pulp mill products	89,623	8.60
Paperboard, pulpboard and fiberboard	47,675	4.58
Building paper and building board	69,365	6.66
Other pulp, paper and allied products	22,875	2.20
Industrial, inorganic and organic chemicals	133,990	12.86
Gum and wood chemicals	32,147	3.09
Other chemicals and allied products	35,742	3.43
Petroleum and coal products	50,366	4.84
Rubber and miscellaneous plastic products	5,703	.55
Concrete, gypsum and plaster products	10,701	1.03
Abrasives, asbestos and misc. mineral products	43,490	4.17
Other stone, clay and glass products	19,075	1.83
Primary metal products	65,120	6.25
Fabricated metal products	19,746	1.89
Machinery, except electrical	4,149	.40
Electrical machinery	531	.05
Transportation equipment	295	.03
Waste and scrap materials	28,370	2.72
Miscellaneous freight shipments	667	.06
Containers, shipping, returned empty	471	.05
Total carload traffic	1,041,548	99.99
Less than carload traffic	94	.01
Grand total	1,041,642	100.00

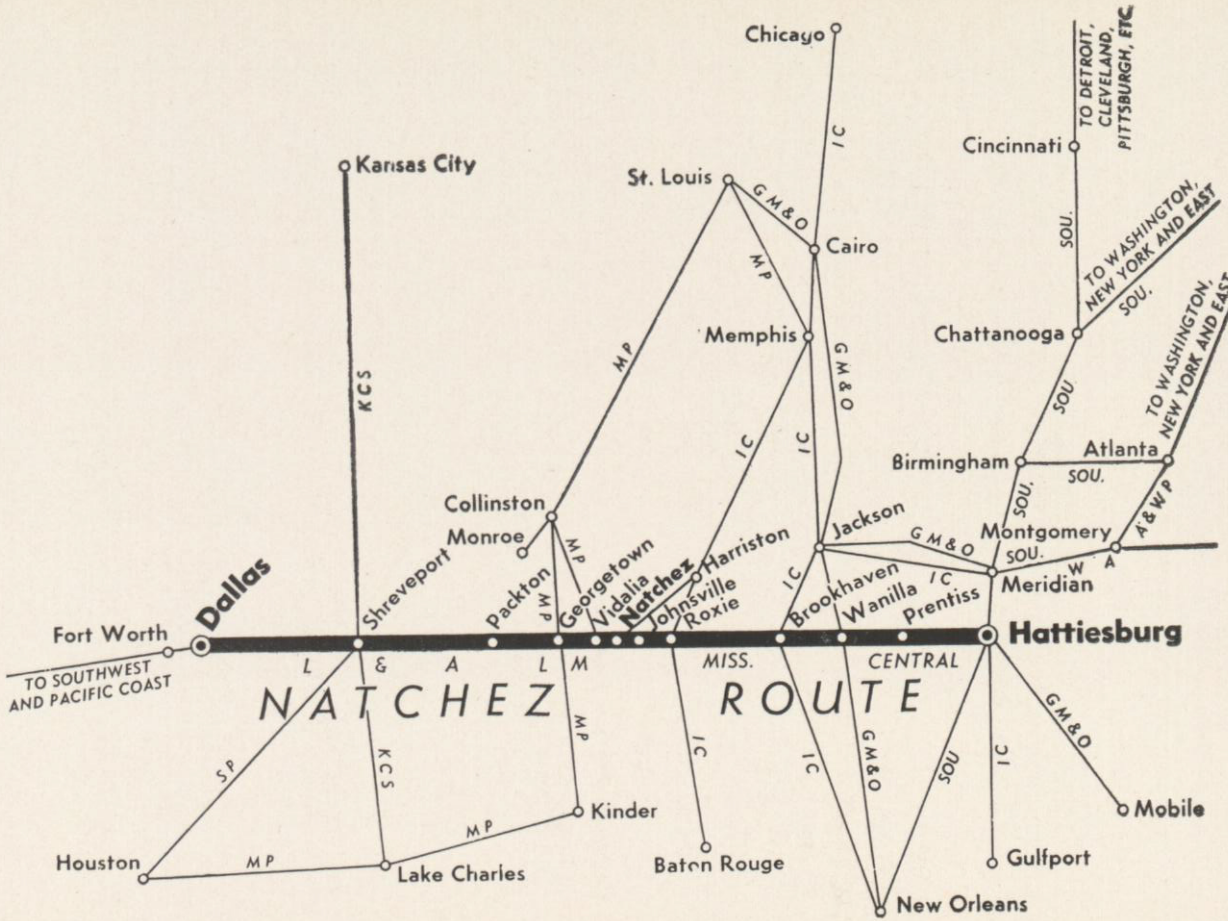
TABLE G

Inventory of Equipment December 31, 1965 and 1966

	Total Dec. 31, 1965	Added or reclassified	Retired	Total Dec. 31, 1966
Locomotives:				
Freight, diesel-electric	9			9
Freight Train Cars:				
Box cars	98		1	97
Tank cars	3		1	2
Chip cars	5			5
Rack cars	61	50	59	52
Caboose cars	5		2	3
Totals	172	50	63	159
Company Service Equipment:				
Camp and other work cars	8			8
Steel dump cars	2			2
Other service equipment	9	3	1	11
Totals	19	3	1	21

Mileage operated at close of year

Hattiesburg, Miss. to Natchez, Miss., Main track	148.38 miles
Yard tracks and sidings—Owned	30.07 miles
Yards tracks and sidings—Joint	0.89 miles


Chicago
Kansas City
St. Louis
Cincinnati
TO DETROIT, CLEVELAND, PITTSBURGH, ETC.
IC
GM&O
Cairo
MP
SOU.
TO WASHINGTON, NEW YORK AND EAST
Memphis
Chattanooga
KCS
MP
GM&O
IC
IC
SOU
TO WASHINGTON, NEW YORK AND EAST
Birmingham
Atlanta
SOU.
SOU.
A&WP
Collinston
Monroe
Jackson
Montgomery
GM&O
SOU.
Shreveport
Packton
MP
MP
Georgetown
Vidalia
Natchez
Johnsville
Roxie
Harriston
IC
Brookhaven
Wanilla
IC
Prentiss
Meridian
W
A
Dallas
Fort Worth
Hattiesburg
TO SOUTHWEST AND PACIFIC COAST
L
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L
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MISS.
CENTRAL
NATCHEZ ROUTE
SP
KCS
MP
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GM&O
SOU
IC
GM&O
Kinder
Houston
MP
Lake Charles
Baton Rouge
New Orleans
Gulfport
Mobile